

**Policy Statement**  
for  
**COST REDUCITON INCENTIVE PROPOSALS**  
in the  
City of Mesa, Arizona

The Contractor may submit to the Engineer proposals for modifying the plans, Specifications, or other requirements of the contract for the sole purpose of reducing the total cost of project construction. The proposals shall not impair in any manner the essential functions or characteristics of the project; including but not limited to service life, economy of operations, ease of maintenance, desired appearance, compatibility with existing or planned equipment, standardization of systems, or design and safety standards.

It shall not be inferred from this Special Provision that the Engineer is required to consider any proposal submitted.

Submissions that propose changes in the basic design of a bridge, propose changes in pipe line sizes, materials, bedding conditions, pipe specifications; or that propose any change in pavement design will not be considered.

Proposals submitted pursuant to this Special Provision shall be identified as Cost Reduction Incentive Proposals. They shall be submitted in writing and, at a minimum, contain the following.

1. Complete the attached cost reduction incentive proposal form.
2. A description of both the existing contract requirements for performing the work and the proposed changes.
3. All engineering drawings and computations necessary for the thorough and expeditious evaluation.
4. An itemization of the existing contract requirements that must be changed if the proposal is adopted and a recommendation as to the manner in which the change should be made.
5. A detailed estimate of the cost of performing the work under the existing contract and under the proposed changes, including the cost of developing and implementing the changes.
6. The contract items affected by the proposed changes and any variations in quantities resulting from the changes.
7. An objective estimate of any effects the proposal will have on collateral cost to the City, costs of related items, and costs of maintenance and operation.

8. A statement as to the effect that the proposal will have on the time for the completion of the project.
9. A statement as to the time by which a change order adopting the proposal must be executed or when the Engineer must have given verbal approval.

Proposals will be processed expeditiously; however, the City will not be liable for any delay in acting upon any proposal nor for any failure to accept any proposal pursuant to this Special Provision.

The Engineer will be the sole judge of the acceptability of a proposal and of the estimated net savings in construction costs from the adoption of all or any part of the proposal. The contractor will be notified in writing by the Engineer as to whether his proposal has been accepted. The decision by the Engineer is final.

When the City deems such action to be appropriate, it reserves the right to require the contractor to share equally in the cost to the City of investigating, evaluating, and processing the proposal as a condition for the consideration of such proposal. Such cost shall be shared whether the proposal is accepted or rejected. When such a condition is imposed, the City shall estimate these costs and the contractor shall indicate his acceptance thereof in writing. Such acceptance shall authorize the City to deduct his share of the costs from any monies due or that may become due to the contractor under the contract.

If the contractor's proposal is accepted in whole or in part, the necessary contract modifications and contract price adjustments will be effected by the execution of a change order which will specifically state that it is executed pursuant to this Special Provision.

The contractor shall continue to perform the work in accordance with the requirements of the contract until a change order incorporating the proposal has been executed or until he has been given verbal approval by the Engineer that his proposal has been accepted. If the change order has not been executed or he has not been given verbal approval on or before the date specified on the attached cost reduction incentive proposal form or on or before such other date as the contractor may have subsequently specified in writing, the proposal shall be deemed to be rejected.

The executed change order shall incorporate the changes in the plans, specifications, or other requirements of the contract which are necessary to permit the proposal, or such part of it which has been accepted, to be put into effect, and shall include any condition upon which the City's approval thereof is based if such approval is conditional. The executed change order shall also extend the time for the completion of the contract if such an extension has been deemed to be warranted by the Engineer as a result of his evaluation of the proposal.

The executed change order shall also establish the estimated net savings in the cost of performing the work attributable to the proposal effectuated by the change order. In determining the net savings the right is reserved to the Engineer to disregard the contract bid prices if, in his judgement, such prices do not represent a fair measure of the value of the work to be performed or to be deleted. The net savings will be established by determining the contractor's cost of performing the work, taking into account his cost of developing the proposal and implementing the change, and reducing this amount by any ascertainable collateral costs to the City. The executed change order shall provide that the contractor be paid 50 percent of the estimated net savings amount.

The executed change order shall also provide for the adjustment in contract prices. Contract prices shall be adjusted by subtracting the City's share of the accrued net savings.

The amount specified to be paid to the contractor in the executed change order which effectuates a cost reduction proposal shall constitute full compensation to the contractor for the cost reduction proposal and the performance of the work thereof pursuant to the said change order.

Upon acceptance of a cost reduction incentive proposal, any restrictions imposed by the contractor on its use or on disclosure of the information shall become void, and the City thereafter shall have the right to use all or any part of the proposal without obligation or compensation of any kind to the contractor.

Approved by: s/ Harry Kent  
City Engineer

1-17-90  
Date

s/ Dean Sloan  
Public Works Manager

1-20-90  
Date

## COST REDUCTION INCENTIVE PROPOSAL FORM

From:

To:

Project Name and Number:

Date:

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Summary of Change (Brief description of proposed change including advantages and disadvantages):

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### ESTIMATED COST SUMMARY (Attach detailed estimate):

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A.	Original Cost:	\$	_____
B.	Proposed Cost:	\$	_____
C.	Construction Savings (A-B):	\$	_____
D.	Gross Savings (Included OH     %, Bond     %):	\$	_____
E.	Contractor Implementing Cost:	\$	_____
F.	City Implementing Cost:	\$	_____
	Reduction in Contract Price (C+D-E-F) x 50%:	\$	_____

Date by which a change order must be issued so as to obtain maximum cost reduction: